



## **Annual Wage Reporting Process**

### **Background**

Employers are required to report wages annually for each employee on Forms W-2 (Wage and Tax Statements), accompanied by a summarizing Form W-3 (Transmittal of Wage and Tax Statement). SSA processes these wage reports for the Internal Revenue Service (IRS).

Each year SSA receives approximately 250 million wage reports on Forms W-2 from employers, covering approximately 156 million workers. (There are more wage reports than workers because some workers have two or more employers during the year.)

SSA uses earnings information to determine eligibility for, and the amount of, Social Security benefits to which that worker may be entitled. Accurate earnings information is necessary to ensure that SSA credits the correct earnings to the correct individual's record.

In addition, the wage reports are used for program integrity purposes to determine if individuals receiving disability benefits have returned to work or if individuals who receive means-tested SSI benefits have accurately reported their earnings.

### **Process**

Employers report wages to SSA on Forms W-2, accompanied by Form W-3, annually, and the reports are generally timely filed between January 1 and March 31.

Self-employed individuals report information on self-employment income to IRS on Schedule SE. IRS then sends this self-employment information to SSA.

SSA processes the wage reports and self employment information for the IRS.

- SSA sends processed Form W-2 data to IRS on a daily basis beginning in January. This file contains both employer and employee data. It contains (for each employer report) an employer record containing the employer identification/address/type of report data, the W-2 records that were reported by that employer, and the total amount of wages reported for that employer's report.
- Each Form W-2 record also contains an indicator that tells the IRS whether the reported name and Social Security Number (SSN) matches SSA's records.

Because wage report information is tax return information, SSA is bound by section 6103 of the Internal Revenue Code (IRC) that governs disclosure of this information.



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- IRS regulations permit SSA to use the information reported on Forms W-2 or on Schedules SE only for purposes related to determining eligibility for, and the amount of, Social Security benefits.
- SSA cannot share this tax return information with other Federal agencies.

### **No-Matches**

SSA can credit wages only if the name and social security number (SSN) of the individual on the Schedule SE or Form W-2 match the name and SSN in SSA's records.

If the combination of name and SSN cannot be matched to an SSA record, SSA is unable to attribute the earnings to any individual's record.

- There are a number of reasons why reported information may not agree with our records, such as typographical errors, unreported name changes, inaccurate or incomplete employer records, or misuse of an SSN.

SSA attempts to resolve items that cannot be matched by sending letters to employees and self-employed individuals to inform them when a reported name or SSN does not match SSA's records.

These letters are referred to as "no-match" letters, and their purpose is to obtain corrected information to help SSA identify the individual to whom the earnings belong so that the earnings can be posted to the individual's earnings record.

### **Wage Reconciliation**

Under wage reconciliation, a comparison is made of the wage data that employers submit annually to SSA (Forms W-3/W-2) and the wage data submitted quarterly to IRS (Forms 941X).

SSA is responsible for reconciling discrepancies between the two reports when the SSA processed amount is less than the IRS-processed amount. (IRS is responsible for reconciling discrepancies when the IRS-processed amount is less than the SSA processed amount.)